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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

| | | | |
|------------------------------|--|--|--|
| Office Action Summary | Application No. 10/747,754 | Applicant(s) PLONSKI, ARNOLD | |
| | Examiner THOMAS M. HAMMOND III | Art Unit 3695 | |

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 16 December 2008.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-24 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-24 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

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DETAILED ACTION

Status of Claims

1. This action is in reply to the Applicant's response filed on 16 December 2008.
2. The Applicant has filed a declaration 132 for secondary considerations showing "unexpected results".
3. Claims 1-24 are currently pending and have been examined.

Response to Arguments

4. In the Applicant's remarks, the Applicant argues in substantially the same manner as the previous response received 14 December 2007. The Examiner has clearly demonstrated that such arguments are not persuasive. Moreover, the submission of a declaration of secondary considerations further weakens the Applicant's argument that the combination of Whaley and E*Trade is improper. Accordingly, such arguments remain unpersuasive.

5. With regard to the Applicant's declaration for secondary considerations, the evidence supplied has been reviewed and determined to be insufficient for overcoming the current rejections for several reasons. For example, looking at the data for the Applicant's invention vs. the Dow Jones Industrial Average, while the data supplied does indeed show a long-term enhancement, upon closer inspection of the data, the enhancement is not 100% consistent throughout the period of time measured, indicating that there are scenarios in the marketplace where the Applicant's method is actually inferior in performance to the Dow Jones Industrial Average, for example, therefore negating any such "unexpected results". For example, looking at the time period of 17 April 2003 - 16 May 2003 for the Applicant's invention vs. the Dow Jones Industrial Average, one of ordinary skill in the art would recognize that the performance increase of the Applicant's invention yields a 31.4% improvement during that time period, while the Dow Jones Industrial Average gained 312.3%, or nearly 10 times better performance versus Applicant's inventive method for this period. The Applicant's data contains many similar examples and this evidence undoubtedly proves that the Applicant's plea for secondary considerations is not persuasive to overcome the rejection of record. Accordingly, claims 1-24 remain rejected, as shown below.

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Claim Rejections - 35 USC § 101

6. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

7. Claims 1-24 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

A claimed process is eligible for patent protection under 35 U.S.C. § 101 if:

"(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. See Benson, 409 U.S. at 70 ('Transformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim that does not include particular machines.'); *Diehr, 450 U.S. at 192 (holding that use of mathematical formula in process 'transforming or reducing an article to a different state or thing' constitutes patent-eligible subject matter); see also Flook, 437 U.S. at 589 n.9 ('An argument can be made [that the Supreme] Court has only recognized a process as within the statutory definition when it either was tied to a particular apparatus or operated to change materials to a 'different state or thing' ');* *Cochrane v. Deener, 94 U.S. 780, 788 (1876) ('A process is...an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing.')*⁷ *A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article."* (*In re Bilski, 88 USPQ2d 1385, 1391 (Fed. Cir. 2008)*)

8. Also noted in *Bilski* is the statement, "Process claim that recites fundamental principle, and that otherwise fails 'machine-or-transformation' test for whether such claim is drawn to patentable subject matter under 35 U.S.C. §101, is not rendered patent eligible by mere field-of-use limitations; another corollary to machine-or-transformation test is that recitation of specific machine or particular transformation of specific article does not transform unpatentable principle into patentable process if recited machine or transformation constitutes mere 'insignificant post-solution activity.'" (*In re Bilski, 88 USPQ2d 1385, 1385 (Fed. Cir. 2008)*) Examples of insignificant post-solution activity include data gathering and outputting. Furthermore, the machine or transformation must impose meaningful limits on the scope of the method claims in order to pass the machine-or-transformation test. Please refer to the USPTO's "Guidance for Examining Process Claims in view of *In re Bilski*" memorandum dated January 7, 2009, http://www.uspto.gov/web/offices/pac/dapp/opla/documents/bilski_guidance_memo.pdf.

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9. It is also noted that the mere recitation of a machine in the preamble in a manner such that the machine fails to patentably limit the scope of the claim does not make the claim statutory under 35 U.S.C. § 101, as seen in the Board of Patent Appeals Informative Opinion *Ex parte Langemyr et al.* (Appeal 2008-1495), <http://www.uspto.gov/web/offices/dcom/bpai/its/fd081495.pdf>.

10. Claims 1-24 are not tied to a particular machine or apparatus nor do they transform a particular article into a different state or thing, thereby failing the machine-or-transformation test; therefore, claims 1-24 are non-statutory under § 101.

Claim Rejections - 35 USC § 103

11. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

12. Claims 1-2, 5, and 13-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Whaley et al.*, *US Patent Publication No. 2003/0225657 A1*, in view of *E*Trade*, “*Option Centre: Covered Combinations*”, 05/15/2003.

As per claim 1***Whaley teaches:***

- Purchasing shares of a plurality of stocks thereby providing a portfolio, said plurality of stocks being the stocks represented in an index or exchange traded fund, said shares being purchased in proportion to the weighting of the respective stocks in said index or exchange traded fund (see at least page 2, paragraphs 15-21)
- At the beginning of each options cycle, writing a number of call options for each of said plurality of stocks (see at least page 2, paragraphs 15-16; page 1, paragraph 10)
- At the end of each options cycle, letting the out-of-the-money options expire and closing out the in-the-money options (see at least page 8, paragraphs 65-66)

Whaley does not teach:

- At the beginning of each options cycle, writing a number of put options for each of said plurality of stocks

E*Trade teaches:

- At the beginning of each options cycle, writing a covered combination consisting of a simultaneous writing of a call and put on a stock currently owned (see at least pages 1-4)

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*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the options teachings on a plurality of stocks of Whaley, to add the covered combination teachings of E*Trade. One would have been motivated to do so in order to provide an investor the ability to receive premium income in exchange for being willing to double his stock position in the event of a downward price move (see at least E*Trade page 1). Furthermore, as evidenced by Whaley and E*Trade, creating a portfolio, writing a call, and writing a put are well known in the art of finance. Merely combining well known prior art elements does not render the instant application patentable. Moreover, to one of ordinary skill in the art, it would have been obvious to try such a technique because there exists a finite number of financial products in the market, all of which are predictable in their behavior and have a reasonable expectation of success, as illustrated by E*Trade above. Therefore, the combination of Whaley and E*Trade renders the invention obvious.*

As per claim 2

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Wherein, for each of said plurality of stocks, said number of call options and said number of put options is equal to the number of shares of stock purchased

E*Trade further teaches:

- Wherein, for each of said plurality of stocks, said number of call options and said number of put options is equal to the number of shares of stock purchased (see at least pages 2-4)

As per claim 5

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is above the market price of the respective stock at the time of writing, and a strike price for said number of put options is below the market price of the respective stock at the time of writing

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E*Trade further teaches:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is above the market price of the respective stock at the time of writing, and a strike price for said number of put options is below the market price of the respective stock at the time of writing (see at least page 2)

As per claims 13-19

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley further teaches:

- Wherein said index is the Dow Jones Industrial Average (see at least page 2, paragraph 16)
- Wherein said index is the Standard and Poors 100, or a substantial portion thereof reflecting the S & P 100 (see at least page 7, Table 4)
- Wherein said index is the NASDAQ 100, or a substantial portion thereof reflecting the NASDAQ 100 (see at least page 7, paragraph 62)
- Wherein said exchange traded fund is chosen from the group consisting of Spiders, DIAMONDS and QUBEs (see at least page 7, paragraph 62)
- Wherein said index is chosen from the group consisting of any other index, exchange traded fund or suitable portfolio grouping that trades options (see at least page 7, paragraph 62)
- Wherein premiums are received for writing a number of call options and a number of put options, an wherein said premiums are retained in the portfolio, and some portion of said premiums are used in said step of closing out the in-the-money options (see at least page 8, paragraphs 65-66)

Whaley does not teach:

- Wherein said index is chosen from the group consisting of the American Exchange Indices

However, the examiner has previously taken OFFICIAL NOTICE that American Exchange Indices, such as WEBS (World Equity Benchmark Series), were old and well known in the art of finance. The Applicant has not properly challenged such assertion, therefore constituting such assertion prior art, henceforth.

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As per claim 20

*Whaley, in view of E*Trade, teaches the method of claim 1, as described above.*

Whaley does not teach:

- Wherein in said step of writing a number of call options and a number of put options, said call options are covered and said put options are covered

*E*Trade further teaches:*

- Wherein in said step of writing a number of call options and a number of put options, said call options are covered and said put options are covered (see at least page 2)

As per claim 21

*Whaley, in view of E*Trade, teaches the method of claim 1, as described above.*

Whaley does not teach:

- Wherein said steps of writing a number of call options and a number of put options and closing out the in-the-money options is performed using computer automation

*E*Trade further teaches:*

- Writing a number of call options and a number of put options and closing out the in-the-money options is performed using computer automation (see at least page 2)

Furthermore, it would have been obvious to a person of ordinary skill in the art at the time of the invention to automate the writing and closing out steps, since it has generally been recognized that merely providing an automatic means to replace a manual activity which accomplishes the same result is not sufficient to distinguish over the prior art, (see In re Venner, 262 F.2d 91, 95, 120 USPQ 193, 194 (CCPA 1958)).

As per claims 22-24

Claims 22-24, as best understood by the Examiner, encompass the same or substantially the same scope as claim 1. These claims accordingly, are rejected in substantially the same manner as claim 1, as described above.

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13. Claims 3-4, 6-7, and 11-12 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Whaley*, in view of *E*Trade*, in further view of, *Lim*, *US Patent Publication 2003/0014345 A1*.

As per claims 3-4

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Wherein, for each of said plurality of stocks, a strike price for the call options is equal or to a strike price for the put options
- Wherein, for each of said plurality of stocks, said strike prices of said put and call options are chosen to be as close as available to the market price of the stock at the time of writing

Lim teaches:

- Wherein, for each of said plurality of stocks, a strike price for the call options is equal to a strike price for the put options (see at least pages 19-20, Table 6)
- Wherein, for each of said plurality of stocks, said strike prices of said put and call options are chosen to be as close as available to the market price of the stock at the time of writing (see at least pages 19-20, Table 6)

*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the teachings of Whaley, in view of E*Trade, to include the teachings of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6).*

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As per claim 6

*Whaley, in view of E*Trade, teaches the method of claim 1, as described above.*

Whaley does not teach:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is below the market price of the respective stock at the time of writing, and a strike price for said number of put options is above the market price of the respective stock at the time of writing

Lim teaches:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is below the market price of the respective stock at the time of writing, and a strike price for said number of put options is above the market price of the respective stock at the time of writing (see at least page 20, Table 6)

*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the teachings of Whaley, in view of E*Trade, to include the teachings of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6).*

As per claim 7

*Whaley, in view of E*Trade, teaches the method of claim 2, as described above.*

Whaley does not teach:

- Wherein, for each of said plurality of stocks, an expiration date for said call options is equal to an expiration date for said put options

Lim teaches:

- Wherein, for each of said plurality of stocks, an expiration date for said call options is equal to an expiration date for said put options (see at least pages 19-20, Table 6)

*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the teachings of Whaley, in view of E*Trade, to include the teachings of Lim. One would have been motivated to do so*

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in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6).

As per claim 11

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Implementing a vertical call credit spread combination for said portfolio

Lim teaches:

- Implementing a vertical call credit spread combination for said portfolio (see at least page 17, Table 6)

*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the teachings of Whaley, in view of E*Trade, to include the teachings of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6).*

As per claim 12

Whaley, in view of E*Trade, in further view of Lim, teaches the method of claim 11, as described above.

Whaley does not teach:

- Wherein said step of purchasing a vertical call credit spread combination comprises writing a first call option at a first strike price and purchasing a second call option at a second strike price, wherein said second strike price is greater than said first strike price

Lim further teaches:

- Wherein said step of purchasing a vertical call credit spread combination comprises writing a first call option at a first strike price and purchasing a second call option at a second strike price, wherein said second strike price is greater than said first strike price (see at least page 17, Table 6)

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14. Claims 8-10 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Whaley*, in view of *E*Trade*, in further view of, *Viner*, *US Patent Publication 2006/0020526 A1*.

As per claim 8

*Whaley, in view of E*Trade, teaches the method of claim 1, as described above.*

Whaley does not teach:

- Implementing a collar for said portfolio to reduce or minimize losses during market declines

Viner teaches:

- Implementing a collar for said portfolio to reduce or minimize losses during market declines (see at least Figure 5 and associated text)

*However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the teachings of Whaley, in view of E*Trade, to include the teachings of Viner. One would have been motivated to do so in order to provide an investor with full participation up to the call strike and full protection below the put strike and full participation above the long call strike (see at least Viner page 3, Table 1).*

As per claim 9

*Whaley, in view of E*Trade, in further view of Viner, teaches the method of claim 8, as described above.*

Whaley does not teach:

- Wherein said step of implementing a collar further includes the step of writing an index option call and purchasing an index option protective put

*E*Trade further teaches:*

- Writing index options (see at least page 4)

Viner further teaches:

- Wherein said step of implementing a collar further includes the step of writing an option call and purchasing an option protective put (see at least Figure 5 and associated text)

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As per claim 10

*Whaley, in view of E*Trade, in further view of Viner, teaches the method of claim 9, as described above.*

Whaley does not teach:

- Wherein a premium received for said step of writing said index option call is chosen to be as close as available to a premium spent for said step of purchasing an index option protective put

*E*Trade further teaches:*

- Writing index options (see at least page 4)

Viner further teaches:

- Wherein a premium received for said step of writing said index option call is substantially equal to a premium spent for said step of purchasing an index option protective put (see at least Figure 5 and associated text)

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Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Thomas M. Hammond III whose telephone number is 571-270-1829. The examiner can normally be reached on Monday - Friday, 7AM - 5PM EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have any questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Thomas M Hammond III
Patent Examiner, Art Unit 3695
US Patent & Trademark Office
23 March 2009

/Thu Thao Havan/
Primary Examiner, Art Unit 3695